

August 19, 2003

TO: Internal File

THRU: Pete Hess, Team Lead

FROM: Wayne H. Western, Environmental Scientist III, Engineering

RE: Methane Degas Wells G-1, G-2, G-3, Canyon Fuel Company, LLC, Dugout Mine ,
C/007/0001, Task ID #1642

SUMMARY:

On August 13, 2003, the Division received an amendment for the construction of three degasification wells at the Dugout Mine. This memo deals only with the bonding calculations.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

Determination of Bond Amount

The Division reviewed the reclamation cost estimate submitted by the Permittee on August 12, 2003. The only changes to the bond calculations were the addition of the three degassification wells.

The reclamation cost for the degasification wells were minor and usually would not require any action. However, the Division is in the process of changing some of the bonding criterion and has chosen to make some changes to the bond at this time.

The first change is that the bond will be escalated from midterm to midterm instead of from permit renewal to renewal. Therefore, the bond will be escalated for only two years. The change in escalation date reduces the reclamation cost by approximately 200,000. The reclamation amount escalated to the year 2005 is \$2,004,000.

The second change is that the Permittee must include a copy of the Division's bond calculation in the MRP. This step is needed for consistency. The bond amount in the MRP should match the bond amount and the Division calculations.

Findings:

The information in the amendment is not considered adequate to meet the minimum requirements of the regulations. Before approval, the Permittee must provide the Division with the following in accordance with:

R645-301-830.110, The Permittee must include the Division's reclamation cost calculation in the MRP. The Division will give the Permittee a copy of the bond calculations upon request.

RECOMMENDATIONS:

The Division needs to get their copy of the reclamation cost estimate into the MRP. The easiest way is for the Permittee to submit the reclamation cost estimate as part of this amendment. If there are no other deficiencies this could hold up the permitting process so an alternative would be to have the bond calculations be a stipulation. Another alternative would be to have the Permittee commit to submit the bond calculations as a separate amendment.